



## In This Issue

[Feature Article by Drew](#)

[Senior Spotlight](#)

[Consulate in the Media](#)

[About MRW Express](#)

[You Need to Know](#)

[The Consulate In the News](#)



\*\*\*\*\*

## Be Sure To Check Out Tim's New Book!

Our very own Tim Maurer has teamed with international bestselling author Jim Stovall (The Ultimate Gift) to author *The Financial Crossroads: The Intersection of MONEY and LIFE*.

The book is now available on [Amazon.com](http://Amazon.com)! Learn more about the book by visiting [www.TheFinancialCrossroads.com](http://www.TheFinancialCrossroads.com) or simply click the the book cover!

## FEATURE ARTICLE

### Converting a Traditional IRA to a Roth IRA in 2010

By Drew Tignanelli, CPA, CFP®

In 2010 anyone with a Traditional IRA can convert it to a Roth IRA. You are going to hear a great deal about Roth Conversions over the course of 2010, so let me explain four things:

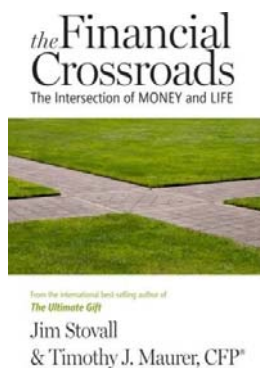
1. The difference between a Traditional IRA and a Roth IRA
2. Why you should convert
3. Why you should not convert
4. Where there is an easy decision-making tool you can use to make up your mind

A Traditional IRA is the opposite of a Roth IRA. If you put money into a 401(k), 403(b) or Traditional IRA, it is tax-deductible. For example, if you earn \$50,000 and invest \$5,000 in a Traditional IRA, 401(k), or 403(b), it is tax-deductible and you can report your income as \$45,000 (except in the rare case of non-deductible IRAs). If you do the same thing in a Roth IRA, there is no income-tax deduction.

If the tax-deductible \$5,000 in the IRA, 401(k) or 403(b) grows to \$10,000 and you withdraw the funds after age 59-1/2, then the entire \$10,000 is taxable income in the year of the withdrawal. If that same \$5,000 was invested in a Roth IRA and grows to \$10,000, the \$10,000 withdrawal after age 59-1/2 is 100% tax-free. Keep in mind that there are many nuances in these laws and this explanation is designed as a basic guideline example to illustrate the differences.

When someone converts Traditional IRA assets into a Roth IRA they must report all deferred income leaving the Traditional IRA. A unique provision in 2010 is that the income, upon conversion, can be split with 50% being reported in 2011 and the other 50% in 2012. For example, if I convert \$50,000 (all taxable) in 2010, I report \$0 income in 2010 (unless I choose otherwise), \$25,000 of income in 2011, and \$25,000 of income in 2012. The benefits of a conversion are twofold: (1) 100% tax-free growth of that account until your non-spouse heir reaches age 85 (or someone withdraws the funds); and (2), there is no required minimum withdrawal at age 59 1/2 for you or your spousal beneficiary.

Assuming tax rates remain static or higher, a Roth IRA conversion will outperform the Traditional IRA over time. This is why I like to say, "A Traditional IRA is a bird in the hand and a Roth conversion is two in the bush". Only time will tell if a Roth conversion pays off at all or pays off handsomely. For a Roth conversion to work best it will require the use of other liquid assets to pay the income tax liability upon conversion. So, if you convert \$100,000 from a Traditional IRA into a Roth IRA, thus causing \$30,000 of tax liability due, you should have \$30,000 available as a liquid asset in order for the conversion to make sense. There are some reasons to consider a Roth conversion even if you have to use funds from the converted assets to pay the taxes.



## Money, Riches & Wealth Upcoming Guests

*"Money, Riches & Wealth" can be heard Wednesday's at 6:00 pm by clicking [here](#) or tuning into WCBM 680AM in Baltimore, Maryland.*

### May 5, 2010:

Open show so call-in with your questions!

### May 12, 2010:

Jack Freel discussing Social Security

### May 19, 2010:

Natalie Choate, on the air discussing IRAs.

### May 26, 2010:

Attorney Content McLaughlin discussing special needs planning.

### June 2, 2010:

Open show so call-in with your questions!

\*\*\*\*\*

## Upcoming Seminars:

### May 5, 2010:

Tim will be presenting a retirement seminar at Harford Community College.

### May 8, 2010:

Tim will be presenting a retirement seminar for ULLICO.

There is a benefit to consider for high net worth people (estates worth \$5 mm or more) when thinking about a Roth conversion. A Roth IRA passing through a taxable estate is more beneficial than a taxable Traditional IRA or 401(k)/403(b). This requires extremely detailed analysis and cannot be addressed in the limited scope of this article.

There is currently a great deal of excitement about Roth conversions and the main reason is that there is speculation that income tax rates are going to rise. This may be true, but tax increases can come in many forms. For example, income tax rates can stay at the current level or lower for moderate income families, and then the government could pass a Value Added Tax (VAT) similar to the one in Canada and Europe. What if government changes the rules and no longer allows tax-free compounding on Roth IRAs in order to raise tax revenue? If you think about the difference between the Traditional IRA to the Roth Conversion it is the proverbial "Bird in the Hand versus the Two in the Bush". With a Traditional IRA we have our benefits in hand in the sense of immediate tax deferral on compensation. With the Roth the Roth benefits come over time with each year of tax-free compounding. Only with time will one truly know if the conversion was the wise decision.

I believe everyone should be analyzing Roth conversions for their IRA assets, or at least a portion of their assets. Please arrange a time to meet to do your Personal Financial Review and to discuss your tax-deferred assets and whether a Roth conversion makes sense for you.



## Ten Reasons to Consider a Move to a Retirement Community

By Suzanne Hall, VP and Director of S.E.N.I.O.R. Connect

There are many reasons to move to a retirement community (CCRC or Continuing Care Retirement Community) and there are reasons to stay in your home. Today I'm going to focus on the move to a community and why it can be a very good decision to do so.

1. Moving to a retirement community should be done while you are still healthy and can make the decision where you want to live. It should be done while you are physically and mentally able to do so. Once you are in the independent part of the community, you will then be able to move on to assisted living or nursing should the need arise. As a resident of that community you will always have a place to live in any of the three levels of care. Note: CCRC communities generally provide all three levels of care without having to leave that community.
2. The home you are living in is now too large and complicated. Too many bedrooms to deal with and none on the first floor. Too many rooms to heat and air condition and that can be expensive. Too many rooms to keep clean and organized. Family members are now having to help you maintain the home.
3. Transportation to and from the family home is getting complicated and challenging. Limiting times to drive may be an issue too. Are you afraid to drive in the dark and do all of your activities during the day? Do you avoid highway driving and therefore don't go out as much? When the time comes that you cannot drive anymore, how will you get around. Will you have to depend on family, friends for taxi cabs? At CCRC's they have shuttle services that provide transportation for their residents to doctor's appointments, grocery stores and lots of places in between. You do not have to give up your car but it sure helps on a cold snowy day to have that

**May 13, 2010:**

Tim will be presenting a seminar to the Maryland Financial Planning Association.

**May 20, 2010:**

Drew will be presenting a retirement seminar at McCormick & Co.

**June 15, 2010:**

Drew will be presenting a retirement seminar at MACPA in Bethesda.

**June 15, 2010:**

Drew will be presenting a pre-retirement seminar at John's Hopkins University.

\*\*\*\*\*



## Have You Checked Out The MRW Podcasts?

*The popular "Money, Riches & Wealth" radio program is now available as a podcast on iTunes and other podcast carriers!*

*To download the latest shows simply go to iTunes and search for "Money, Riches & Wealth". Just click on the title of the program and subscribe. Best of all...it's free!*

\*\*\*\*\*

## Links

[MRWExpress.com](http://MRWExpress.com)

[The Financial Consulate](#)

[The Financial Crossroads](#)

[NAPFA](#)

[Focus on Fiduciary](#)

[NAPFA's Consumer Webinar Series](#)

added service available to you.

4. If you stay in the family home, who will take care of you when you do need help? Will you eventually need home health care, children, grandchildren or friends to help you on a regular basis? It can be more costly to stay in the home and in the long run more burdensome to you and your family.
5. Do your children or other loved ones help you live out of town? Who does your housework, yard work etc.? Do you have to wait for a holiday when the family is with you to get things done? The last thing you want to do is hand a loved one your "honey do" list when you only see them a few times a year. In a retirement community all of this goes away because it's provided for you.
6. Are you putting off downsizing the clutter in your home? Is the furniture in your four bedroom house gathering dust because you haven't used it in years? You should be thinking of getting rid of the clutter now, whether you are considering a move or not. You don't want to leave that chore to your children or other loved ones when your gone. I have seen more clients delay a move because of the clutter when ultimately clearing the clutter lightens their load and they enjoy their new lifestyle!
7. Have you recently or over time developed a life altering illness that requires care already? Waiting until the last minute to move somewhere puts added pressure on you to choose a community that you might not have chosen originally. Wouldn't you rather be in control of that decision and not leave that up to your family? If you're in a retirement community, decisions have been made and plans are in place for all levels of care based on your choices.
8. Wouldn't it be better to take your time now and look around at all the communities that fit your list of needs and preferences. There are questions you'll want to ask. How large of a community do you want? Where do you want to live geographically, near the children or in sunny Florida? What amenities do you like and really want to be able to take advantage of. How are the residents and all the activities? You should visit the communities and make a list of all the likes and dislikes from each. Generally, when I do CCRC or any other type of community searches for clients, I find these answers and narrow down the search to five communities. It can be overwhelming to have too many when selecting your new home. At that point I take them to see three communities that have really made the top of their list and go from there.
9. Probably the biggest question that my clients are asking themselves is whether they can afford to make the move. It is the most important decision you'll make in your retirement years. It's best to be prepared and get sound advice from your advisor. Schedule a meeting to discuss your finances and the possibility of the move. Your advisor will be able to make recommendations on what you can afford based on your personal situation. I have found that clients are reluctant to move because they feel it's not affordable. Many times it turns out that they do have the assets and can make it work, they just didn't realize it. Putting your financial house in order will then lead you to put your family house in order. The decision is a lot easier at that point. There is a light at the end of the tunnel!
10. The most important reason to make the move to a retirement community is because you feel that you are ready to start the next phase of your life. You want to get rid of the housework, yardwork, snow shoveling and everything else that comes with the responsibility of owning a home. You want to have the ability to spend more time with family and friends and have the freedom to enjoy life to the fullest in your retirement years. It is also a place to make new friends and enjoy social gatherings in a beautiful environment.

I am currently visiting retirement communities in many counties within Maryland. I meet with the marketing director and ask questions about their community. I take a tour of that community and visit a few of the model apartments. It's a great educational process for me. It also affords me the opportunity to pass the information along to my clients for current

or future reference. Please feel free to call me if you are interested in discussing retirement communities. I look forward to hearing from you.

## CONSULATE IN THE MEDIA

April 4, 2010 - CNBC

[See The Article!](#)

March 24 2010 - AARP Bulletin

[See The Article!](#)

March 22, 2010 - New York Times

[See The Article!](#)

March 19, 2010 - New York Times

[See The Article!](#)

March 18, 2010 - SmartMoney

[See The Article!](#)

Have you seen the online quiz that The Financial Consulate created with *Money Magazine*? If not, click [HERE](#) or the image below to take it today!

The screenshot shows the top of a CNN Money.com page. The logo 'CNN Money.com' is prominent, with 'A Service of CNN, Fortune & Money' underneath. To the right are search fields for 'Symbol', 'Get Quote', and 'Keyword'. A navigation bar includes links for Home, Business News, Markets, Personal Finance, Retirement, Technology, Luxury, and Small Business. The main content area features a quiz titled 'Will you be ready for retirement?' with a sub-headline 'Take our quiz to see whether you're on track to a comfortable retirement.' It is attributed to 'By Money Magazine and The Financial Consulate'. The score is '0 of 0 points'. The question asks to 'Pick the answers that sound most like you -- and check out what they mean for your future. Choose your age group to get started.' There are three radio button options: A. 34-44, B. 45-54, and C. 55-64. A red 'Next' button is at the bottom right of the question area.

## ABOUT MRW EXPRESS

MRW Express is the monthly online newsletter of The Financial Consulate, a Fee-Only financial, retirement, and investment advisory firm in Hunt Valley, Maryland. For more information on The Financial Consulate, visit

[www.financialconsulate.com](http://www.financialconsulate.com) or

[www.mrwexpress.com](http://www.mrwexpress.com).

\*\*\*\*\*

**NOTE FOR CLIENTS:** If you wish to not receive this newsletter, simply click on the SafeUnsubscribe feature at the bottom. But if you are a client of the Financial Consulate please be sure you only remove yourself from the MRW Express distribution list. We use this same system for other important client communications. Thank you!

[Forward email](#)

[SafeUnsubscribe®](#)

Email Marketing by

This email was sent to [deanna@financialconsulate.com](mailto:deanna@financialconsulate.com) by  
[deanna@financialconsulate.com](mailto:deanna@financialconsulate.com).  
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).



The Financial Consulate | 307 International Circle | Suite 250 | Hunt Valley | MD | 21030